

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL MEMORANDUM

HB 2146 – SB 2133

June 17, 2009

SUMMARY OF AMENDMENT (010159): Adds new language to the current bill. Requires a charter school to conduct an initial minimum student application period of 30 days. Students who meet eligibility criteria per Tenn. Code Ann. § 49-13-106(a)(1)(A-D) shall be given first priority. If the number of eligible students applying under Tenn. Code Ann. § 49-13-106(a)(1)(A-D) exceeds the charter school's enrollment capacity, a lottery will be held for students applying under Tenn. Code Ann. § 49-13-106(a)(1)(B-D) which excludes students previously enrolled in a charter school per Tenn. Code Ann. 49-13-106(a)(1)(A). After the initial student enrollment period, if the number of applying students under § 49-13-106(a)(1)(A-D) does not exceed enrollment capacity, students on free or reduced price lunch per Tenn. Code Ann. § 49-13-106(a)(1)(E) as amended may apply. A lottery will be held if the students applying under Tenn. Code. Ann. § 49-13-106(a)(1)(E) as amended exceed the enrollment capacity. In this event, the second lottery will be for only those applying under Tenn. Code. Ann. 49-13-106(a)(1)(E) as amended.

Requires a charter school to provide to the Department of Education (DOE) certification by an independent accounting or law firm that these lotteries have been conducted lawfully. Authorizes the DOE to approve such lotteries in lieu of an accounting or law firm. Requires the State Board of Education (SBOE) to promulgate rules and regulations for enrollment lotteries. Requires charter schools to comply with federal FERPA act pertaining to student privacy. Provisions of this amendment apply only to LEAs in which students on free or reduced price lunch are eligible to attend charter schools.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$27,000

Other Fiscal Impact – More regular public school students not eligible under current guidelines will be eligible to transfer into a public charter school. BEP money follows the student. BEP funds will shift from local education agencies (LEAs) to public charter schools in an amount dependent upon the number of students choosing to enroll in a charter school, the capacity of the charter school, and the number of open enrollment slots.

Charter schools are currently funded on a per-pupil basis. The BEP is funded on an average daily membership (ADM) basis. The amount of money that the BEP generates and the LEA matches is less than the per pupil expenditure that is given to the public charter school.

The average difference between the LEA amount that would be funded on a per pupil basis and what the BEP funds per ADM for 19 LEAs that are close to or above 12,000 ADM is \$1,700. Local governments will be required to fund the difference. If two percent of the total ADM of those LEAs (17) that do not currently contain charter schools transfer into a new charter school, the increase in local expenditures will be approximately \$12,976,900. There will also be a net increase in local expenditures as students transfer into a charter school for fixed LEA regular operational costs for building maintenance, electricity, etc. These costs are estimated to exceed \$1,000,000. Therefore the total increase in local expenditures statewide is expected to exceed \$14,000,000.*

The fixed cost increase is a net of any savings from fewer students in regular public schools.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Not Significant

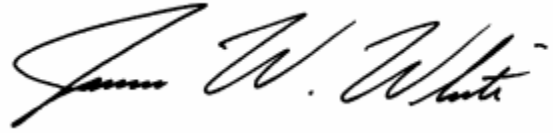
Increase Local Expenditures – Not Significant

Assumptions applied to amendment:

- Any increase in state expenditures for the SBOE to promulgate rules and regulations or for the Department of Education to approve enrollment lotteries is estimated to be not significant.
- Any increase in local expenditures for the implementation of student lotteries is estimated to be not significant. Any LEA that cannot afford to hire a private company using existing funds to certify their lottery will use the DOE at little or no cost to the LEA.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized initial "J".

James W. White, Executive Director

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